BC Assessment

The Annual Service Plan Report for the Year 2007 and a
Report on the Creation of the 2008 Assessment Roll.
The Financial Statements for the year ended December 31, 2007.

2007 Annual Report

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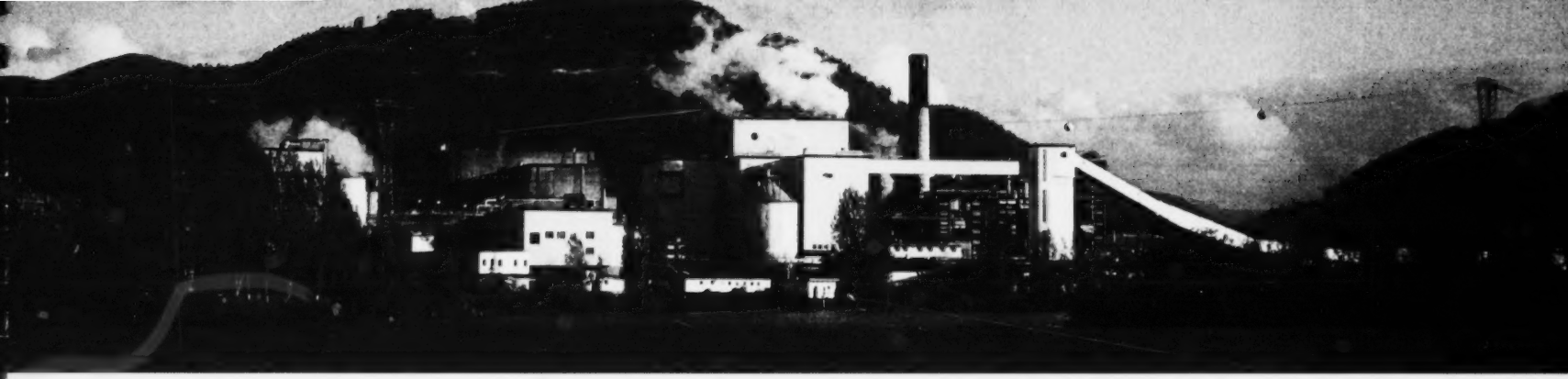
BRITISH COLUMBIA
The Best Place on Earth



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MESSAGE FROM THE BOARD CHAIR TO THE MINISTER RESPONSIBLE

May 28, 2008

The Honourable Rick Thorpe
Minister of Small Business and Revenue and
Minister Responsible for Regulatory Reform
Legislative Buildings
Victoria, British Columbia V8V 1X4

Dear Minister:

On behalf of the Board of Directors, the management, and the employees of BC Assessment, I am pleased to submit the Annual Service Plan Report for the Year 2007, a Report on the Creation of the 2008 Assessment Roll, and the Financial Statements for the year ended December 31, 2007.

In 2007, BC Assessment experienced a number of changes in both our structure and direction. The Board and Executive developed a new vision and mission statement for the organization that shifts us from an organization that focuses on producing assessments to an organization that delivers assessment solutions. In support of this vision, we created a new Business and Customer Services Division to improve our customer service delivery model and our customer survey results. A number of key initiatives were undertaken during the year including enhancements to the current website and development of new web-based products, increased consultation with key stakeholders, improvements to reporting formats, development of a number of self-reporting forms and improvements to the property assessment appeal process.

A significant change for BC Assessment in 2007 was the implementation of the *Assessment Statutes Amendment Act, 2007*. Following a comprehensive review, the *Act* implemented new approaches to the classification of stratified accommodation properties and the valuation of port land and major ski hills. These legislative changes will strengthen certainty, equity, and fairness in property assessment, and support port development, resort growth, and tourism in British Columbia. Changes to the *Act* also provided a new corporate governance structure, eliminating the position of Assessment Commissioner and making the Board fully accountable for policy and oversight and for setting corporate direction.

Financially, BC Assessment finished the year with a deficiency of revenue over expenditures of $1.4 million, due to a combination of a shortfall in projected revenues and an increase in unanticipated expenditures. The 2007 operating deficiency was funded from accumulated equity. The Audited Financial Statements and Management Discussion and Analysis on page 40 contain further details.

Over the next few years, several key challenges and risks face BC Assessment. The organization is facing capacity challenges due to a number of factors including:

- record levels of new construction and development;
- a dynamic property market;
- increased demand for solutions to complex property assessment issues;
- a competitive employment market; and,

- higher rates of retirement and staff turnover, with the accompanying loss of knowledge and experience.

BC Assessment is addressing capacity issues through strategies such as development of a professional, motivated and team-oriented workforce; partnership and consultation with all levels of government, stakeholders, and customers; and use of efficient valuation methodologies and innovative technologies to cost-effectively improve data quality and integrity.

This report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The Board is accountable for the contents of the report, what has been included, and how it has been reported. The information presented has been prepared by management and reflects the actual performance of BC Assessment for the twelve months ended December 31, 2007 in relation to BC Assessment's 2007-2009 Service Plan (published February 2007).

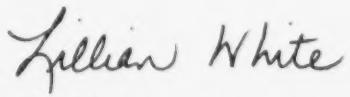
The measures presented are consistent with BC Assessment's goals and strategies, and focus on aspects critical to the organization's performance. The Board is responsible for ensuring internal controls are in place for the accurate and timely measurement and reporting of performance information. All significant decisions, events, and identified risks as of December 31, 2007 have been considered in preparing this report. The report contains estimates and interpretive information that represent the best judgement of management, and identifies any changes in mandate, direction, goals, strategies, measures, or targets made since the 2007-2009 Service Plan was released. Any significant limitations in the reliability of data are identified in the report.

I would like to take this opportunity to thank my fellow Board members for their support and ongoing commitment to the organization. Special thanks to outgoing Board members Barry Clark and Fred Graham for their contributions and welcome to Janet Heino and Bruce Hryciuk who were recently appointed to the Board.

In addition, I would like to thank the BC Assessment staff who worked collaboratively toward achieving the Authority's performance targets in 2007, and to acknowledge those staff who retired from the organization in this time period. On behalf of the Board I would like to extend a special thank you to recently retired Chief Executive Officer Doug Rundell, who provided 33 years of dedicated service to BC Assessment. Doug steered BC Assessment through the challenges of a booming real estate market and periods of significant internal and external change. We wish Doug well as he begins an exciting new phase of his life.

The Board looks forward to working with Doug's successor, Connie Fair. Connie brings extensive professional experience and leadership skills to her new position, including significant contributions to BC Assessment during the past 15 years as former Director of Policy, Audit and Legal Services; Executive Director of Corporate Services; Executive Director of Assessment; and, most recently, Executive Director of Business and Customer Services. We are confident that BC Assessment is embarking on an exciting new phase that will enhance our reputation as a model of property assessment best practices.

Sincerely,



Lillian White

BOARD CHAIR

Uniformity and equity: the core of our business

ORGANIZATIONAL OVERVIEW

BC Assessment Authority is a provincial Crown Corporation, incorporated in 1974 under the *Assessment Authority Act*. The Corporation's mandate is to create assessments that are fair, equitable, and uniform throughout the whole of British Columbia.

The *Assessment Authority Act* provides for the appointment of a Board of Directors, and funding of BC Assessment by annual property tax levies that are administered by taxing authorities. The *Assessment Act* establishes the rules under which annual assessment rolls must be created, and sets out an appeal process. The Minister of Small Business and Revenue is the Minister responsible for the administration of these *Acts*.

The core function of BC Assessment is the production of the annual assessment rolls. On or before December 31 of each year, assessment notices for approximately 1.82 million properties are sent to property owners. The assessment roll, containing the legal description, ownership information, assessed value, use classification, tax exemption status, and other details for every property in British Columbia is provided to taxation authorities; property assessments form the basis of distributing property tax for over 1,600 different taxing jurisdictions in British Columbia.

The assessment roll information is used by the taxing authorities, who determine the amount of revenue required to pay for public services, set the tax rates in their respective jurisdictions, and apply the rates to the assessed value of properties.

The real estate market creates the value that BC Assessment reports to taxing authorities and property owners. For some properties for which market values are not applicable — for example, farm land and major industrial properties — the assessment roll contains values determined in accordance with regulations and Board-approved prescribed rates and manuals. For the 2008 roll, BC Assessment enumerated properties with a value of $940 billion. The taxable value of the 2008 Assessment Roll increased over 16 percent from the previous year's roll.

Through valuation of properties that reflect the current market, BC Assessment is helping to build sustainable, flourishing communities across the province. Annually, over $5 billion in property taxes, based on assessment rolls, are collected in British Columbia. Of these funds, just under $3 billion are collected for local government and over $2 billion for schools and provincial general revenue. Property taxes provide between 40 and 60 percent of funding for local governments and approximately 30 percent of funding for schools.

The Corporation is funded primarily through property tax levies administered by the taxing authorities — $65.4 million in 2007. In addition, BC Assessment received investment income of $0.9 million and other revenue from a variety of sources including payments in lieu of taxes and the sale of a variety of information products and services of $5.6 million. The latter includes provision of bulk electronic assessment rolls, sales data and residential inventory data, custom reports and professional consulting services, and enhanced service through strategic partnerships with BC OnLine and data agents in the private sector. On a contract basis the Corporation also provides assessment services to over 50 First Nations that have taxation authority. Revenue from all these sources reduces the levy on property owners.

BC Assessment's customers include property owners, taxing authorities (provincial government, local governments, and some First Nations), the federal government, and the private sector to whom BC Assessment markets a variety of products and services.

The Corporation also works in partnership with other agencies to add value to services and save taxpayer dollars. For example, as a member of the Integrated Cadastral Information Society (ICIS) — which is creating a single source for all provincial mapping data from government and private sector sources — BC Assessment provides expertise and data that enables all partners to share resources more efficiently. BC Assessment is a sponsor of a number of organizations that represent local governments at various levels. These sponsorship arrangements include the Union

of British Columbia Municipalities, the Local Government Management Association, and the Government Financial Officers Association. The benefit of these arrangements is increased awareness and understanding of the assessment process in the province, leading to a more effective and efficient property taxation program across all of the jurisdictions in British Columbia.

The Corporation currently employs 638 staff, although the number of temporary staff can fluctuate with the annual assessment cycle. Structurally, the organization consists of ten regions, with a Head Office in Victoria and 18 area assessment offices throughout the province. The Head Office divisions support the work of the assessment offices and, in addition to this core function, more broadly sustain the Corporation's strategic direction through policy guidance, customer service initiatives, providing recommendations to government for streamlining and simplifying legislation, and reducing red tape for BC Assessment's customers.

The *Assessment Statutes Amendment Act, 2007* introduced changes to modernize BC Assessment's corporate structure, and enhance the organization's ability to respond to emerging assessment issues. BC Assessment will continue to work closely with the Ministry of Small Business and Revenue to implement the legislative changes that are bringing new approaches to assessing strata hotel units, major ski hills, and major ports as a result of an extensive review process completed in 2007.

In 2007, BC Assessment implemented a number of structural changes to the organizational model to support improved customer service and business sustainability. These initiatives included:

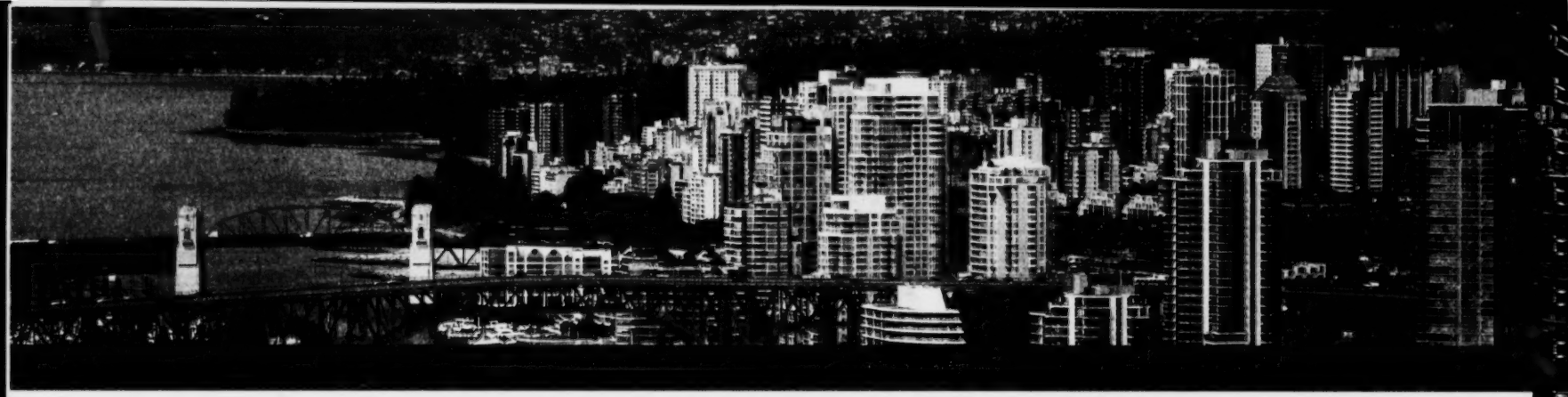
- establishment of a new Business and Customer Services Division focussed on providing enhanced services and operational support to the field. This Division enables BC Assessment to better anticipate and respond to customers' needs, as well as maintaining and strengthening the relationships that the Corporation currently has with its customers;
- formalizing and enhancing corporate planning, risk management, and performance management functions. BC Assessment also introduced an internal audit function in 2007. These functions advance BC Assessment's performance management and accountability framework;
- streamlining the Information Technology Department to ensure that system changes continue to reflect the needs of BC Assessment's customers; and,
- establishment of a dedicated resource to focus on services to local government customers.

Head Office is now comprised of the following divisions: Assessment; Business and Customer Services; Corporate Services; Planning, Audit and Legal Services; and the Office of the Chief Executive Officer.

BC Assessment increased the availability of comparative sales information, and improved the Property Assessment Review Panel hearing-scheduling process, to ensure that those who wish to appeal their assessments are provided with the information and the opportunity to participate fully in the process. Changes such as expanding the functionality of the popular "Assessments and Sales by Address"

feature on BC Assessment's website, and launching on-line appeal and appeal-withdrawal forms have meant increased convenience and transparency of assessment information for property owners.

A key policy focus for BC Assessment in 2008 will be participation in a provincial review of agricultural assessment policy. A panel comprised of local government officials and representatives from the provincial government, the agriculture community, and the BC Assessment Board of Directors will undertake comprehensive consultation with local government and a cross-section of British Columbia's agriculture community in all areas of the province. The review will examine the farm classification process and regulations with a focus on simplifying and streamlining the regulations, while at the same time ensuring that the property assessment system is fair, equitable, enhances competitiveness, and supports sustainability of the agriculture sector.



CORPORATE GOVERNANCE

The Minister of Small Business and Revenue is responsible for the administration of the *Assessment Act* and the *Assessment Authority Act*. The Government and BC Assessment enter into an annual Shareholder's Letter of Expectations which is signed by the Minister and the Chair of the Board of BC Assessment. This document conveys Government's broad mandate direction and high-level performance expectations. The Board of Directors is responsible for ensuring that BC Assessment is governed in a manner consistent with Cabinet's mandate and policy direction, and for ensuring compliance with financial and other policies and applicable legislation.

A significant change for BC Assessment in 2007 was the implementation of the *Assessment Statutes Amendment Act , 2007* which established a new corporate governance structure, making the Board fully accountable for setting corporate direction, policy leadership, and monitoring performance.

The Board is responsible for the appointment of the Chief Executive Officer who is accountable for general supervision and direction of the operations of BC Assessment and its staff.

Members of the Board are:

Lillian White – Delta, Chair
George Puil – Vancouver, Vice Chair
Janet Heino – Victoria
Bruce Hryciuk – Cranbrook
Shawn McLaughlin – Prince George
Chris Nicolls – Vancouver
Anna Nyarady – Vancouver
Brian Romer – Sechelt
Allen Tozer – Westbank
Eldon Unger – Chilliwack

For more information, please refer to the website at: www.bcassessment.ca/about/board.asp

Members of the Executive Management Team are:

Connie Fair – Chief Executive Officer

Peter Bretherton – Executive Director, Assessment

David Highfield – Executive Director, Assessment

Laurie McAmmond – Executive Director, Corporate Services

Bruce Turner – Executive Director, Planning, Audit and Legal Services

John Yannacopoulos – Acting Executive Director, Business and Customer Services

For more information, please refer to the website at: www.bcassessment.ca/about/executive.asp

Board Committees engage in regular and detailed review of policies, issues, and corporate finances and make recommendations to the Board, where decisions are made. The Board Committees are:

POLICY AND PLANNING COMMITTEE

Deals with all matters pertaining to the Service Plan, Annual Service Plan Report, intergovernmental policies, and valuation policies.

Members: *George Puil (Chair), Eldon Unger (Vice Chair), Anna Nyarady, and Bruce Hryciuk.*

HUMAN RESOURCES AND EDUCATION COMMITTEE

Deals with all matters of human resources, training, and education and is responsible for compensation reviews of the Chief Executive Officer. The Committee also acts as a reference group during negotiations regarding the collective agreement.

Members: *Allen Tozer (Chair), Chris Nicolls (Vice Chair), Shawn McLaughlin, and Lillian White.*

AUDIT AND FINANCE COMMITTEE

Deals with all matters relating to financial policies, the annual budget, internal and external audit, and performance improvement.

Members: *Chris Nicolls (Chair), Janet Heino (Vice Chair), George Puil, Brian Romer, and Bruce Hryciuk.*

GOVERNANCE COMMITTEE

Reviews, monitors, and reports on Board effectiveness; evaluates the performance of the Chief Executive Officer; and deals with all matters relating to governance.

Members: *Anna Nyarady (Chair), Shawn McLaughlin, Lillian White, and Janet Heino.*

CLIMATE ACTION COMMITTEE

Reviews and approves climate action initiatives and the corporate climate action plan.

Members: *Shawn McLaughlin (Chair), Anna Nyarady, George Puil, and Brian Romer.*

The Board of Directors has adopted the guiding principles included in the provincial government's *Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations*. The best practice guidelines can be found at: www.lcs.gov.bc.ca/brdo/governance/corporateguidelines.pdf

The BC Assessment Board governance practices are available at www.bcassessment.ca/pdf/about/board_governance.pdf

REPORT OF THE AUDITOR GENERAL OF BRITISH COLUMBIA

To the Board of Directors of the British Columbia Assessment Authority

To the Minister of Small Business and Revenue and Minister Responsible for Regulatory Reform

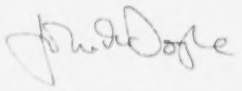
I have been engaged to report whether *The Annual Service Plan Report for the Year 2007 and a Report on the Creation of the 2008 Assessment Roll* (the annual report) of the British Columbia Assessment Authority (the Authority) for the year ended December 31, 2007 fulfills the requirements of the BC Reporting Principles. The eight BC Reporting Principles outline the characteristics of good performance reporting, and were endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts for use by public sector organizations in British Columbia. The principles are detailed in the body of this report. This annual report is the responsibility of the Authority. My responsibility is to assess whether this annual report has met the requirements of the BC Reporting Principles.

I conducted my examination in accordance with Canadian standards for assurance engagements and accordingly included such tests and procedures as I considered necessary in the circumstances. The conclusion in my report is based on procedures that I determined to be necessary for the collection of sufficient, appropriate evidence in order to obtain a high, though not absolute, level of assurance as to the Authority's achievement of the requirements of the BC Reporting Principles.

Readers are cautioned that, as a transitional approach to providing assurance, I did not test the reliability of the performance information in the annual report, except for that contained in the Authority's 2007 financial statements set out on pages 45 to 60. Consequently, I do not offer assurance on the reliability of the information reported except for that presented in the Authority's 2007 financial statements for which I provided a separate audit opinion.

As called for by the BC Reporting Principles, the annual report contains a number of representations from management concerning the appropriateness of the goals, objectives, and targets established by the Authority, explanations of the adequacy of planned and actual performance, and expectations for the future. Such representations are the opinions of management and inherently cannot be subject to independent verification. As discussed above, I did not test the reliability of the performance information in the annual report. Therefore, my examination was limited to ensuring the report contains those representations called for by the BC Reporting Principles and that they are consistent with both unaudited performance information and audited financial statements.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I performed a more extensive audit of reliability as referred to in the third paragraph above, this annual report fulfills the requirements of the BC Reporting Principles, in all significant respects. The following appendix contains details supporting my conclusions for each of the BC Reporting Principles, and is an integral part of my opinion.



Victoria, British Columbia
May 21, 2008

John Doyle, MBA, CA
Auditor General

Appendix to the Report of the Auditor General of British Columbia on the 2007 Annual Service Plan Report for the Year 2007 and the Report on the Creation of the 2008 Assessment Roll.

DETAILED OBSERVATIONS

PRINCIPLE 1 – Explain the Public Purpose Served

The report explains the Authority's public purpose, enabling legislation, and mission. Core business areas, services, customers, and stakeholders are described, as is the role of partners. The report explains the Authority's governance structure and external accountabilities. The report outlines the Authority's values that guide its service delivery (guiding principles and premises).

PRINCIPLE 2 – Link Goals and Results

The report explains the chain of events from mission to goals, objectives, and strategies through to performance measures. The relevance of these measures is explained in the context of the Authority's goals and objectives, and in relation to issues of concern to an external audience (the public and legislators). Performance measurement focuses on outcomes in the short and long term, explaining how short-term achievements impact long-term results. Variances between planned and actual results are explained and related to expectations and plans for the future.

PRINCIPLE 3 – Focus on the Few, Critical Aspects of Performance

The report states why goals, objectives, and the five performance measures are important to the Authority and to an external reader. The performance information provides a clear and concise performance story. Key results are clear and readily apparent.

PRINCIPLE 4 – Relate Results to Risk and Capacity

The report summarizes key risks and capacity issues in relation to each performance measure, their impact on results, and strategies for dealing with them in the future. Issues related to organization-wide financial, infrastructure, and technology risks and capacity are discussed separately.

PRINCIPLE 5 – Link Resources, Strategies and Results

Revenue and expense variances are described as part of management's commentary on the financial statements. Costs are related to key business activities and goals. Planned and actual costs are provided for key revenue and expense items, and trend information is provided for revenues and expenses. A critical measure of efficiency is identified — average cost per property for assessment services — and reported on.

PRINCIPLE 6 – Provide Comparative Information

Actual performance is clearly reported in relation to the service plan. Current performance is graphically related to historic trends, and related to some industry benchmarks. Inconsistencies in trend data are fully explained, and future performance targets are explained in the context of current performance.

PRINCIPLE 7 – Present Credible Information, Fairly Interpreted

We are not providing assurance that the data supporting the five key performance indicators is reliable. Nor are we providing assurance on the effectiveness of the Authority's control environment. The report is reasonably concise, and specialized terminology has been largely avoided in the report and the report has been issued in accordance with statutory reporting deadlines.

PRINCIPLE 8 – Disclose the Basis for Key Reporting Judgments

The report provides explanations for how performance indicators are derived and the period to which data relates. The Authority's Chair has affirmed her ownership of the report, and responsibility for ensuring the accuracy and timeliness of performance information. The report explains the importance and relevance of goals and objectives, and it discusses how targets are selected.

Assessment solutions that work for you

REPORT ON PERFORMANCE

INTRODUCTION

BC Assessment's performance planning process includes both long-term and short-term components. Direction is provided by the three-year Service Plan which is developed through a comprehensive strategic corporate planning process involving the Board of Directors, senior management, and staff. The Service Plan is revised each year to reflect changes in stakeholder needs, risk management, benchmarking, organizational capacity, and emerging priorities. Identification of specific actions and measurable results assist the organization in fulfilling its goals.

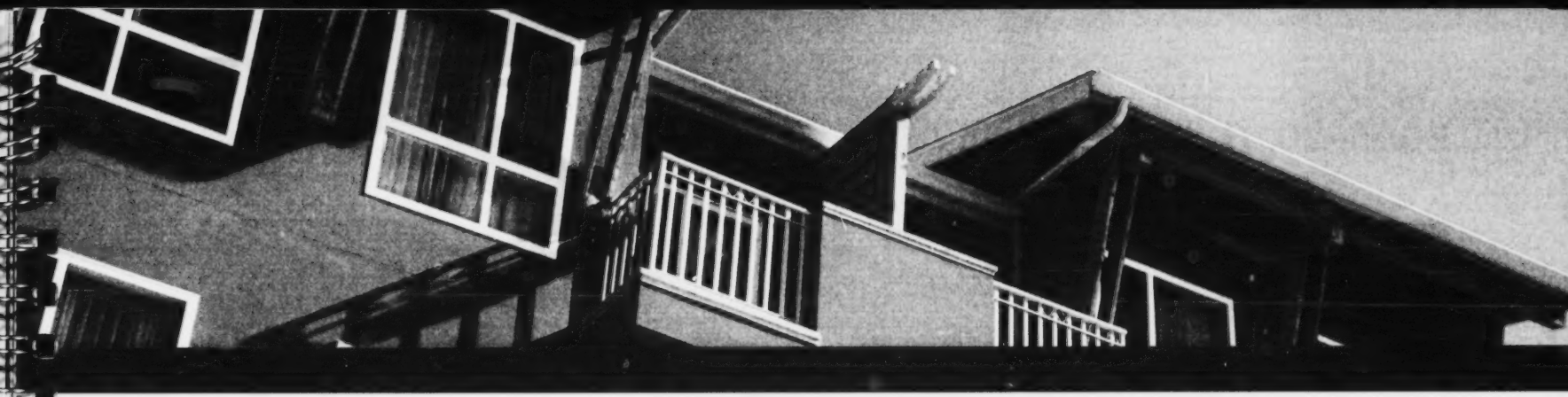
In 2007, the Board of Directors and Executive Management Team, with input from BC Assessment staff, developed a new vision and mission statement for BC Assessment, introduced in the 2008-2010 Service Plan in February 2008. The new vision is a paradigm shift for BC Assessment, from a focus on producing assessments to an organization that delivers assessment solutions that will meet the needs of BC Assessment's Shareholder and customers. Management developed and modified performance measures and strategies to reflect the new direction for the organization, and reports progress to the Board against those goals.

The following three key goals in the 2008-2010 Service Plan were developed based on BC Assessment's mandate, vision, values and the priorities established by the Board of Directors:

CUSTOMER SERVICE:
Serve our customers with care and professionalism to create positive and memorable customer experiences.

PRODUCTS, SERVICES AND SOLUTIONS:
Create and deliver the products, services and solutions that respond to and anticipate our customers' needs and expectations.

RESPONSIBLE BUSINESS PRACTICES:
Conduct our business effectively, efficiently and in an environmentally responsible manner.



Specific strategies noted in the 2008-2010 Service Plan are important because they set the direction and standards that align with BC Assessment's overarching business goals, ensuring a more complete performance picture. For the 2007 Annual Report, the objectives and strategies from the 2006 Annual Report and the 2007-2009 Service Plan have been distilled down to the new three goals and nine critical strategies as shown on the following page. The ten performance measures in the 2007-2009 Service Plan have been reduced to five to simplify and streamline the 2008-2010 Service Plan and to focus external performance measurement on the five most critical key performance indicators. The performance measures that were removed and results for 2007 are reported in Appendix B on the BC Assessment website at www.bcassessment.ca/pdf/publications/reports/2007_Annual_Report_appendixb.pdf.

2008-2010 SERVICE PLAN STRATEGIC FRAMEWORK

STRATEGIC DIRECTION

VISION

To be the best choice for property information and assessment solutions for the benefit of British Columbians – real time, anytime, anywhere.

MISSION

To create uniform assessments which can be relied upon to build sustainable, flourishing communities (local, regional and provincial).

VALUES

Integrity: We deliver what we promise – dependable, accurate, consistent.

Transparency: We conduct ourselves and our business in ways that are open, fair, honest and trustworthy.

Impartiality: We are objective and unbiased. We do our work and make our decisions without favour or prejudice.

OUR SERVICE COMMITMENT AND STANDARDS

- **Reliable** – Providing accurate products and professional service.
- **Accessible** – Providing timely access to staff and information.
- **Uniform** – Being consistent in the way we treat you.
- **Respectful** – Maintaining positive relationships.

GOALS

GOAL 1: Serve our customers with care and professionalism to create positive and memorable customer experiences.

GOAL 2: Create and deliver the products, services and solutions that respond to and anticipate our customers' needs and expectations.

GOAL 3: Conduct our business effectively, efficiently and in an environmentally responsible manner.

STRATEGIES

Augment access to our assessment information for real time, anytime, anywhere usage.

Enhance the culture of customer service and excellence.

Ensure easy physical access to all BC Assessment facilities.

Build strong relationships with our key customers and partners that promote mutual trust and confidence.

Ensure uniformity and quality in the assessment rolls through the common application of statutes, policies, business rules and best practices throughout the province.

Create a broader understanding of the property assessment and taxation system and develop assessment solutions that support the strategic direction of government and good property taxation principles.

Collaborate on systems integration and information sharing with local and provincial governments, First Nations and the private sector.

Develop innovative methods to increase efficiency and add value in collecting, processing and sharing information.

Contribute to reducing British Columbia's greenhouse gases and environmental impacts.

PERFORMANCE MEASURES

- Each year, the percentage of property owners independently surveyed who had direct contact with the Corporation, and were either Very Satisfied or Satisfied with the level of our customer service.

- Each second year, the percentage of local government/taxing authority, First Nations and provincial government customers independently surveyed who were either Very Satisfied or Satisfied with the level of customer service.

- The median Assessment-to-Sales Ratio for the residential assessment roll in British Columbia will be 97 to 100 percent. The median Assessment-to-Sales Ratio for the non-residential assessment roll in British Columbia will be 95 to 100 percent.

- Each year, >98 percent of all assessments will be accepted without referral by the public to the Property Assessment Review Panel.

- The average cost per property for assessment services funded from property tax levies will not increase at a rate greater than inflation.

REPORT ON CURRENT PERFORMANCE MEASURES

NOTE: The following Performance Measures reflect the five measures noted in the 2008-2010 Service Plan. The Corporation has moved from ten measures in the 2007-2009 Service Plan to five key measures in the 2008-2010 Service Plan to simplify the 2008-2010 Service Plan and to focus external performance measurement on the five most critical key performance indicators. Details regarding changes made to the performance measures can be viewed in Appendix B on the BC Assessment website under Publications/Reports at www.bcassessment.ca/pdf/publications/reports/2007_Annual_Report_appendixb.pdf.

PERFORMANCE MEASURES 1 & 2[1]	2005 Actual (2006 Assessment Roll)	2006 Actual (2007 Assessment Roll)	2007 Target (2008 Assessment Roll)	2007 Actual (2008 Assessment Roll)	2008 Target (2009 Assessment Roll)	2009 Target (2010 Assessment Roll)	2010 Target (2011 Assessment Roll)
PM. 1 Each year, the percentage of property owners independently surveyed who had direct contact with the Corporation and were either Very Satisfied or Satisfied with the level of our customer service.	83%	86%	>86%	**82%** Target not met	≥83.5%	≥84%	≥84.5%
PM. 2 Each second year, the percentage of local government/taxing authority, First Nations, and provincial government customers independently surveyed who had direct contact with the Corporation, and were either Very Satisfied or Satisfied with the level of customer service.	100% (Note: Provincial customers not surveyed)	95%	>95%	**95.1%** Target met	Not Applicable*	≥95%	Not Applicable*

**The independent market research firm advising BC Assessment has recommended that, due to consistent high satisfaction levels, BC Assessment shift to a two-year cycle for surveying its local government/taxing authority, First Nations and provincial government customers to avoid survey fatigue, and to minimize the cost to property owners. Consequently, BC Assessment will not undertake a survey for PM. 2 in 2008 or 2010 but will undertake the survey of these client groups in 2009.*

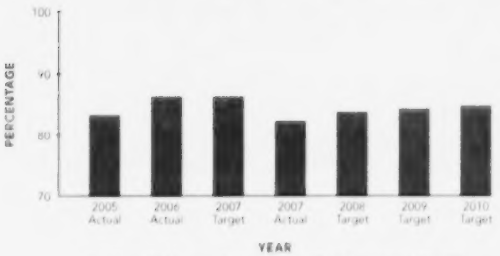
[1] The performance targets for 2008, 2009, and 2010 have been merged to simplify the 2008-2010 Service Plan. BC Assessment will continue to track these performance measures separately for internal performance reporting.

IMPORTANCE

The Corporation is committed to surveying customer groups on a regular basis, and to providing continuous improvement in customer service. Survey results are considered during the external communications strategic planning process as well as in the interest of maintaining stakeholder relations and daily operations. Regular communications and two-way dialogue with all customer groups help to foster BC Assessment's reputation as a trusted source of high-quality property assessment information.

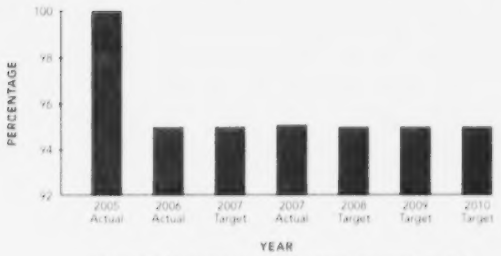
In 2007, BC Assessment conducted customer surveys with five key customer groups using an independent market research firm to conduct the surveys and compile the results. In the five surveys, conducted in April and May, a random sample of respondents was asked questions to gauge satisfaction with the products and services that BC Assessment provides.

PM. 1 Percentage of Satisfied Property Owners



Data Source: BCA Customer Surveys by Venture Market Research Ltd., May 2008

PM. 2 Percentage of Satisfied Government Customers



Data Source: BCA Customer Surveys by Venture Market Research Ltd., May 2008

PERFORMANCE HIGHLIGHTS

In 2007, BC Assessment was below target for the residential/non-residential customer satisfaction surveys (PM. 1), and achieved the target established for the government/taxing authority, First Nations, and Provincial Government surveys (PM. 2).

Residential and Non-Residential Surveys (PM. 1)

The 2007 survey of *residential property owners* generally provides favourable results for BC Assessment in terms of overall public perception and quality of services provided.

- BC Assessment is perceived by a large majority of the public as providing a valuable service, and a significantly greater number than in 2006 perceive the organization to be well run.
- Those who made contact with the organization over the past year — over the phone, in person, or via e-mail — agreed by a large majority that the service they receive is timely, and that they receive satisfactory responses to their information requests.
- Most respondents also continue to agree that the Assessment Notice is easy to understand and clearly states how to contact BC Assessment and how to appeal an assessment.
- A significant increase in the use of the BC Assessment website suggests it is increasingly valuable as a communication tool. Results indicate that the Assessments and Sales by Address feature is very popular among those

who visit the site.[2] Significant improvement over 2006 was reported for the ease of use of the website and for availability of the information sought by property owners.

The results of the 2007 survey of *non-residential property owners* demonstrate that BC Assessment is providing a high level of customer service to this population, and that the organization is generally viewed favourably in terms of overall service provision and communication. Consistent with previous years' results, the vast majority of respondents were satisfied with the overall level of customer service provided by BC Assessment staff.

- Survey participants who had contacted BC Assessment to obtain information during the past year indicated high levels of satisfaction with the service provided. Most of these felt that they were treated fairly, and found BC Assessment responsive to their enquiries.
- Nearly all of the non-residential clients surveyed who recalled receiving an Assessment Notice provided very positive feedback regarding various attributes of the Assessment Notice.
- Another significant improvement noted from the previous survey was an increase in the proportion of property owners who regarded the assessed value of their property as fair in comparison to other properties.
- About one-quarter of respondents indicated that they had visited the BC Assessment website, and most of these were looking for Assessment and Sales by Address. Website visitors indicated a significant improvement over the 2006 survey results with respect to the site providing the information they needed.

Although the overall survey results strongly suggest that the vast majority of clients were satisfied with the service that they received, the 2007 target of >86 percent satisfaction for property owners who had direct contact with BC Assessment was not achieved. During the year, BC Assessment staff faced a variety of challenges that impacted the organization's ability to meet the increased customer satisfaction targets. The most significant factors were a record level of new construction combined with record staff turnover.

Although BC Assessment did not manage to attain the target, it should be noted that the customer satisfaction targets set for 2007 were substantially more rigorous than in previous years (i.e. the 2006 target of 80 percent for PM.1 was increased to 86 percent in 2007; for PM.2 from 90 percent to 95 percent in 2007). While BC Assessment is disappointed that it did not achieve its more aggressive target established for PM.1, improving customer satisfaction with the services the Corporation provides remains a corporate priority.

Local Government, First Nations, and Provincial Government Customer Surveys (PM.2)

The results of the 2007 survey of BC Assessment local government clients indicate that the vast majority of clients are satisfied with the overall level of service provided by BC Assessment, and with various information sources and communications.

Survey results suggested a significant increase in satisfaction over 2006 in a number of areas.

[2] In response to feedback regarding this feature, Assessments and Sales by Address is available year-round effective January 2008.

- Satisfaction with the Assessment Roll and other property-related information provided remains high, with significant increases in satisfaction with particular features such as up-to-date property ownership changes, the accuracy of property and mailing addresses, and the weekly Data Advice.
- Respondents were also largely satisfied with other products and services provided by BC Assessment, such as roll information and reports, with significant increases in satisfaction noted for Supplementary Rolls and Data Advice.
- BC Assessment staff received very favourable ratings for the customer service they provide to clients who contact them. The survey examined nine aspects of customer service provided, and each of these aspects received a favourable rating of greater than 90 percent.
- In addition, nine out of ten local government clients who used BC Assessment's website agreed that it provided the information they needed and was easy to navigate.

The results of the 2007 First Nations client survey indicated that BC Assessment is performing very well in serving this important client group. For respondents who had contacted BC Assessment, satisfaction with the service provided remained high with more than 90 percent agreeing with each of the staff service quality indicators designed to measure the service they received.

- Consistent with the past two surveys, nearly all respondents indicated they were satisfied with the Assessment Rolls and agreed that BC Assessment provides a high quality Assessment Roll.
- While the ways in which BC Assessment informs clients of available products and services received a less favourable response (81 percent), this quality indicator was still notably higher than in the past two surveys.
- Website usage by First Nations survey respondents was higher in 2007, with over half indicating that they had visited the website and, of these, almost all users rated the website highly for providing the information that they required, ease of navigation, and ease of finding the information they were seeking.

The survey results of BC Assessment's provincial government clients indicated that satisfaction levels with the services provided are very high, confirming the favourable results reported in the previous survey conducted in 2006. Almost all clients participating in the survey are satisfied with the overall performance of BC Assessment and the organization's staff, as each of a series of statements designed to measure staff performance received at least 95 percent agreement. In addition, the satisfaction rates for various service and information requests made by clients reached 100 percent in nearly all cases, and 92 percent of the clients surveyed said it was clear or easy to determine who to contact at BC Assessment when they need service or information.

A target of greater than 95 percent satisfaction rating with the level of customer service received by those who made contact with a BC Assessment representative was set for all local government, First Nations, and provincial government clients in the 2007 Service Plan, and this target was achieved with an overall result for these three client groups of 95.1 percent.

MAJOR PROGRAMS AND STRATEGIES

In 2007, BC Assessment implemented ten corporate projects designed to improve service delivery in a way that would exceed customer expectations. Customer service training is a corporate priority, and staff training initiatives include a focus on promoting "accessible" customer service for property owners through enhanced website features on www.bcassessment.ca.

BC Assessment takes pride in being very accessible to its customers. Property owners can reach staff in a number of ways, including telephone (toll-free where applicable), e-mail, or in person at 18 area offices located throughout the province. Additionally, the Corporation's website contains comprehensive plain-language information regarding the assessment process and the assessment roll.

For local governments, BC Assessment offers a variety of products and services, including Assessment Link*BC*. This Internet-based service enables local government customers to search and create unique reports using property assessment data provided free of charge. Access to such timely information helps local governments to make informed decisions on behalf of their communities. The Corporation also offers property information services by request to local governments and other agencies. "Data Advice" — provided monthly in paper format or via the Internet — supplies customers with current information available on the Corporation's files, allowing them to easily update data in their computer systems.

Also for our local government customers, BC Assessment has embarked on a Local Government Enhanced Information Service Delivery Initiative which began in 2007 and spans several years. The objective of this initiative is to complete a series of projects that will improve data services and products to taxing jurisdiction customers. Fundamentally, the initiative aims to develop a "reciprocal partnership" type relationship recognizing that BC Assessment needs timely and quality information from local governments to improve its services and products. The principles that will be followed as part of the initiative include:

- accountability, manageability, and transparency;
- regular and ongoing consultation; and
- awareness, commitment, and responsibility.

In accordance with BC Assessment's commitment to transparency, information related to this initiative is available on the BC Assessment website at www.bcassessment.ca/local_gov_customer.asp

LOOKING AHEAD

For the 2008-2010 Service Plan, the Board of Directors has modified the future targets for PM.1 to maintain a challenging yet attainable target (2008, from 86 percent to 83.5 percent; 2009, from 87 percent to 84 percent; and 2010, from 88 percent to 84.5 percent). These surveys were developed in conjunction with an independent market research firm, whose professional advice is that — given the nature of the industry — results of greater than 80 percent for property owners (PM.1), and greater than 90 percent for government customers (PM.2) are reasonable to indicate satisfaction. In addition, the market research firm has recommended that, due to consistent high satisfaction levels, BC Assessment shift to a two-year cycle for surveying its local government/taxing authority, First Nations and provincial government customers (PM.2), to avoid survey fatigue, and to minimize the cost to property owners. Consequently, BC Assessment will not undertake a survey for PM.2 in 2008, but will resume the survey in 2009.

For more details about the 2007 customer survey methods, including sample sizes and margins of error, and statistical methodologies (ASR/COD/PRD) for the 2008 Revised Roll, refer to Appendix C located on BC Assessment's website at: www.bcassessment.ca/pdf/publications/reports/2007_Annual_Report_appendixc.pdf

PERFORMANCE MEASURE 3	2005 Actual (2006 Assessment Roll)	2006 Actual (2007 Assessment Roll)	2007 Target (2008 Assessment Roll)	2007 Actual (2008 Assessment Roll)	2008 Target (2009 Assessment Roll)	2009 Target (2010 Assessment Roll)	2010 Target (2011 Assessment Roll)
PM. 3 The median Assessment-to-Sales Ratio for the residential assessment roll in British Columbia will be 97 to 100 percent. The median Assessment-to-Sales Ratio for the non-residential assessment roll in British Columbia will be 95 to 100 percent.	96% 95%	96.5% 95.7%	97-100% 95-100%	**97% target met** **95% target met**	97-100% 95-100%	97-100% 95-100%	97-100% 95-100%

IMPORTANCE

The Assessment-to-Sales Ratio (ASR) is an industry-standard roll quality measure set by the International Association of Assessing Officers (IAAO). The ASR is important because it measures how closely assessments mirror a property's actual selling price, or market value.

The IAAO has set the median ASR standard between 90 and 110 percent. However, BC Assessment has set its targets considerably higher than this international standard; that is, between 97 and 100 percent for the residential assessment roll and between 95 and 100 percent for the non-residential assessment roll.

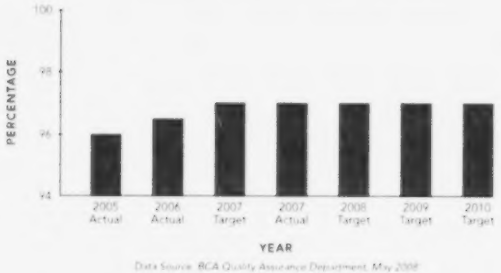
PERFORMANCE HIGHLIGHTS

For 2007 (the 2008 Assessment Roll), ASR targets for both performance measures were met. The results are within the acceptable roll quality standards set out by the IAAO, and an exceptional success considering the dynamic and variable real estate market in 2007.

MAJOR PROGRAMS AND STRATEGIES

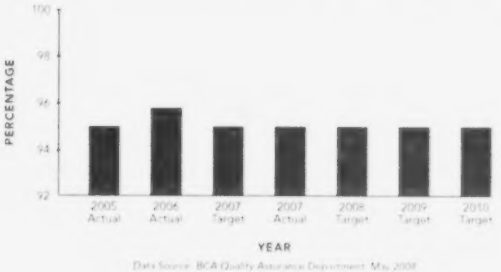
Maintaining a high ASR percentage is supported by several key corporate strategies that include measuring and ensuring the uniformity and quality in the assessment rolls and developing best practices and business rules to ensure uniformity and efficiency. The Corporation has an internal quality assurance program that regularly reviews the quality and accuracy of assessment information. Each year, an annual roll quality report is produced that compares each roll quality measure to international standards. The report is reviewed by staff, the Executive Management Team, and the Board of Directors to determine if there are opportunities to improve data quality. Internal audit was enhanced in 2007 to undertake audits in high priority areas and to provide further assurance that the organization has established sufficient processes and controls to consistently produce a high quality assessment roll.

PM. 3 Assessment-to-Sales Ratio Residential Properties



Data Source: BCA Quality Assurance Department, May 2008

PM. 3 Assessment-to-Sales Ratio Non-Residential Properties



Data Source: BCA Quality Assurance Department, May 2008

LOOKING AHEAD

In order to maintain the quality of assessment roll data, BC Assessment has done the following:

- made the auditing and quality of data a corporate priority with an increased emphasis on performance planning, risk management, and quality assurance; and,
- reorganized staff roles and accountabilities in the Planning, Audit and Legal Service Division to support this focus and the corporate goal of providing property assessment services that are of the highest quality and are fair, equitable, and uniform.

PERFORMANCE MEASURE 4	2005 Actual (2006 Assessment Roll)	2006 Actual (2007 Assessment Roll)	2007 Target (2008 Assessment Roll)	2007 Actual (2008 Assessment Roll)	2008 Target (2009 Assessment Roll)	2009 Target (2010 Assessment Roll)	2010 Target (2011 Assessment Roll)
PM. 4 Each year, >98 percent of all assessments will be accepted without referral by the public to the Property Assessment Review Panel.	97.8%	97.8%	>98%	**98.4%** Target partially met[3]	>98%	>98%	>98%

IMPORTANCE

An important measure of public acceptance of the annual assessment roll is the number of complaints (appeals) to the Property Assessment Review Panel (PARP). BC Assessment tracks annual statistics to determine how many residential and non-residential property owners apply in writing or online for an independent review of their assessment by PARP.

The Corporation interprets high acceptance of assessments by both residential and non-residential property owners as a validation of a number of corporate goals, including:

- maintaining high levels of customer service satisfaction;
- producing high quality assessment rolls; and,
- successful streamlining and simplifying of business practices.

These targets were chosen based on historical trends. For residential property owners, formal complaints (appeals) each year are usually submitted by less than two percent of all residential owners. For non-residential property owners, this number is usually less than five percent. Consistent, high results for this measure indicate that assessed values are accepted by property owners without recourse to appeal, and attests to the quality of the assessment roll.

Residential (Class 1) properties include single and multi-family residences, condominiums, manufactured homes and recreational properties. Approximately 87 percent of all properties in British Columbia are Class 1. Non-residential includes business and other (Class 6) properties because it is the only non-residential class in which property values are derived from (real estate) market valuations rather than through legislated rates (such as farm land or major industrial properties). Class 6 includes offices, retail, warehousing, hotels, and motels. For a complete listing of properties included in each class, refer to BC Assessment's website at www.bcassessment.ca.

[3] The comparable performance measure from the 2007-2009 Service Plan included separate performance targets for residential and non-residential properties. See Appendix B on the BC Assessment website for additional information at www.bcassessment.ca/pdf/publications/reports/2007_Annual_Report_appendixb.pdf.

PERFORMANCE HIGHLIGHTS

The 2007 target for residential property owners was achieved, which was a significant accomplishment considering the active real estate markets and new construction levels in almost all areas of British Columbia.

Although the result for non-residential property owners was slightly below target, there was a significant improvement from 92% to 94.5% compared to the previous year. Business owners are often concerned that a rise in assessed value will inherently lead to an increase in their taxes by the local taxation authority (e.g., municipality). Therefore, in a year with very active real estate markets, it is expected that more non-residential property owners may proactively challenge their property assessments at the Property Assessment Review Panel, as a perceived opportunity to influence any anticipated increase in property taxes.

MAJOR PROGRAMS AND STRATEGIES

BC Assessment recognizes the need for continued focus on improving these results. Key to improving property owner acceptance of an assessment is to listen to customer concerns, take action to provide better customer service, and provide education and awareness about the assessment system. Such work is supported by several corporate strategies including:

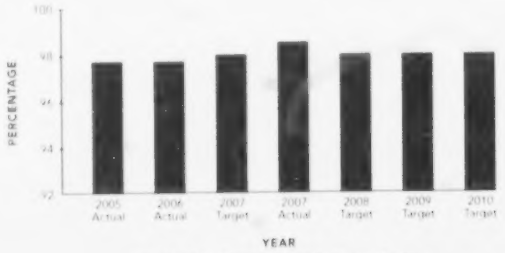
- establishing a customer service commitment and service standards;
- conducting annual customer satisfaction surveys related to the appeal process;
- implementing customer service training for all staff;
- working with government to streamline the appeal process;
- holding forums and focus groups with key property owner groups;
- working with the provincial government to provide public education about the assessment complaint process;
- ensuring and measuring uniformity and quality in the assessment rolls; and,
- developing best practices and monitoring compliance with business rules to enhance uniformity and efficiency.

LOOKING AHEAD

It is anticipated that strong activity and growth in the real estate market and increased new construction and development will continue in 2008, and there is a high likelihood that appeals — particularly those related to non-residential properties — may increase. BC Assessment's management team believes that educating the public about the assessment and complaint/appeal process, along with the strategies noted above, will enable the Corporation to maintain low rates of complaints.

For more detailed statistical information regarding complaints by residential and non-residential property owners to the Property Assessment Review Panel, please refer to *Appendix C* located on BC Assessment's website at: www.bcassessment.ca/pdf/publications/reports/2007_Annual_Report_appendixc.pdf

PM. 4 Percentage of Accepted Residential Assessments



Data Source: BCA Quality Assurance Department, May 2008

PERFORMANCE MEASURE 5	2005 Actual (2006 Assessment Roll)	2006 Actual (2007 Assessment Roll)	2007 Target (2008 Assessment Roll)	2007 Actual (2008 Assessment Roll)	2008 Target (2009 Assessment Roll)	2009 Target (2010 Assessment Roll)	2010 Target (2011 Assessment Roll)
PM. 5 The average cost per property for assessment services funded from property tax levies will not increase at a rate greater than inflation.	$35.95	$35.27	$37.00	**$37.32** Target not met	$39	$40	$41

IMPORTANCE

BC Assessment does not receive direct funding from the provincial government to support its operations. Funding for services is primarily through a levy that local governments and other taxing authorities place on all taxable properties. BC Assessment has no direct role in property taxation and operates independently from taxing authorities.

This performance measure reflects the Corporation's commitment to keeping assessment service costs for property owners as low as possible while continuing to meet increased service demands in an increasingly complex business environment. The target amount was determined by comparing BC Assessment's operations to those of similar provincial jurisdictions.

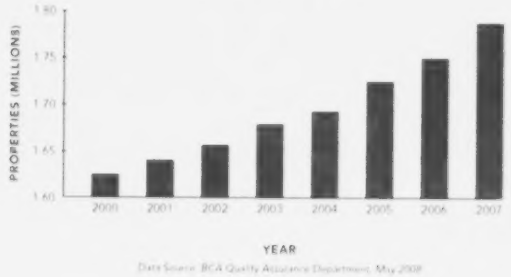
The cost per property for assessment services funded from tax levies has been calculated by taking total expenditures for the year less revenues which are not categorized as 'tax levies', 'payments in lieu of taxes' and 'First Nations revenue' divided by the number of properties for the revised roll produced for the following year.

PERFORMANCE HIGHLIGHTS

The average cost for assessment services funded from property tax levies was $37.32 in 2007, compared to the target of $37.00. Staffing and resource demands continued to increase as a result of the substantial rise in new construction and the number of properties requiring valuation in an expanding and dynamic real estate market. The taxable value in new construction and development appearing on the 2008 Assessment Roll amounted to approximately $20.1 billion. This represents the greatest amount of new construction and development in British Columbia since BC Assessment began tracking this information. The Corporation has maintained a reasonably consistent cost-per-property in the last few years despite significant new construction and development, which increases the number of properties requiring assessment services. This market movement requires significant staff time to appraise, value, and analyze the additional properties added to the assessment roll. In December 2007, assessment notices were issued for 1.82 million properties in British Columbia — an increase of 36,264 properties compared to the year before. The number of properties on the 2008 Assessment Roll increased

approximately two percent compared to the 2007 Assessment Roll. Over the last decade, the number of properties in the province has increased an average of 1.5 percent per year. This equates to adding a community the size of Chilliwack, Prince George, or Kamloops to the assessment base annually.

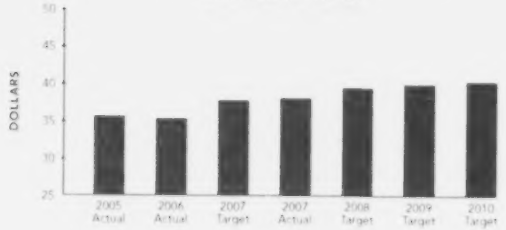
Property Count by Year



Data Source: BCA Quality Assurance Department, May 2008

While the Corporation is reliant on property tax levies for the largest part of its revenues, increasing efficiency and cost-effectiveness is required to offset the impact of current market conditions and inflation.

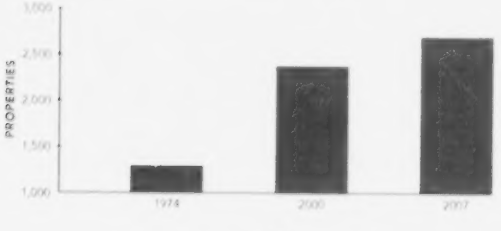
PM. 5 Average Cost Per Property for Assessment Services from tax levies



Data Source: BCA Quality Assurance Department, May 2008

The property value per employee has also increased markedly, from just under $600 million per employee seven years ago, to almost $1.4 billion in 2007.

Properties per Employee



Data Source: BCA Quality Assurance Department, May 2008

MAJOR PROGRAMS AND STRATEGIES

BC Assessment is committed to its goal of fiscal responsibility. Maintaining the cost of assessment services is supported by the corporate strategy of developing best practices and business rules to ensure uniformity and efficiency.

LOOKING AHEAD

BC Assessment is committed to maintaining the average real cost per property for assessment services funded from property tax levies. This will continue to challenge the organization in the context of the provincial construction boom and real estate market. In response, the Corporation will maintain the current programs aimed at providing efficiencies that include working in specialized appraisal teams, ensuring consistency of valuation policies, and developing best practices and business rules. The performance targets for 2008, 2009, and 2010 have been adjusted by $1 per year to reflect operating costs.

For more statistics on folio counts for 1999-2008, refer to Appendix C located on BC Assessment's website at: www.bcassessment.ca/pdf/publications/reports/2007_Annual_Report_appendixc.pdf

PERFORMANCE REPORTING: AN EVOLUTIONARY PROCESS

The performance measures contained in this report have been chosen by the Board of Directors from numerous possible indicators to track and guide overall performance. They extend beyond traditional financial measures of success to consider other outcomes that reflect corporate goals.

Most information is collected throughout the year by professional appraisal staff through a variety of methods (such as property inspections) and sources (municipalities, regional districts, real estate boards, the Land Title and Survey Authority of British Columbia, and individual property owners). In some cases, measures adopted are international standards. BC Assessment conducts regular and extensive consultation with customers to measure performance.

BC Assessment aspires to incorporate the eight BC Reporting Principles endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts that outline the characteristics of good performance reporting by public sector organizations.

BENCHMARKING TO OTHER CANADIAN ASSESSMENT JURISDICTIONS

Benchmarking on an annual basis supports BC Assessment's ability to develop good performance measurement that leads to improved practices. Such improvements can be found in appraisal practice and policy development, audit techniques, key performance indicators, customer service and surveys, staff training and development opportunities, and competencies for staff and the Corporation's legislative framework. For several years, the Corporation has been exchanging information with other Canadian assessment jurisdictions (municipal and provincial) on various aspects of running a successful assessment organization. These comparisons give BC Assessment confidence that the property assessment process in this province provides high-quality, uniform assessments for property owners and taxpayers. Making direct comparisons between BC Assessment's performance results and the results of other assessment jurisdictions is limited to a few select measures at this time due to different jurisdictional service

areas, organizational structures, assessment cycles, and legal requirements. The most comparable measures would be those related to roll quality, uniformity, and fairness. The most recent benchmarking information available, for the 2007 roll year, is reflected below:

The benchmarking information below demonstrates that BC Assessment meets International Standards for roll quality, uniformity, equity, and fairness.[4]

PERFORMANCE MEASURE	International Association of Assessing Officers (IAAO) Standards	BC Assessment (2007 Roll Year)	Average Result of Canadian Jurisdictions Participating in Benchmarking Study
Assessment-to-Sales Ratio (Roll Quality)	90 - 110% for Residential Properties	96.5%	97.4%
Coefficient of Dispersion (Uniformity)	<15% for urban properties <20% for rural properties	7.9%	10.5%
Price Related Differential (Equity and Fairness).	0.98 to 1.03	1.010	1.018

CONTINUOUS IMPROVEMENT OF PERFORMANCE REPORTING – UPDATING PERFORMANCE MEASURES

Good performance measurement is not intended to be static, and BC Assessment is committed to continuous evaluation and improvement of its key predictive indicators to ensure that measurements are meaningful. The Corporation has moved from ten measures in the 2007-2009 Service Plan to five key measures in the 2008-2010 Service Plan, reflecting refinement of the performance reporting structure and an increasingly focussed and rigorous reporting process. The five Performance Measures identified in the previous section are consistent with the 2008-2010 Service Plan.[5]

[4] NOTE: The above measures are based on the single-family residential property type, and incorporate both rural and urban properties. See page 23 for a detailed discussion on the Assessment-to-Sales ratio, and Appendix B on the BC Assessment website at www.bcassessment.ca/pdf/publications/reports/2007_Annual_Report_appendixb.pdf for detailed comments related to the Coefficient of Dispersion and Price Related Differential measures. Further explanation regarding data source reliability and limitations can be found in Appendix A on the BC Assessment website at www.bcassessment.ca/pdf/publications/reports/2007_Annual_Report_appendixa.pdf.

[5] Detail regarding changes made to the performance measures in the 2008-2010 Service Plan can be viewed in Appendix B on the BC Assessment website under Publications/Reports at www.bcassessment.ca/pdf/publications/reports/2007_Annual_Report_appendixb.pdf.

Assessment solutions that work for you

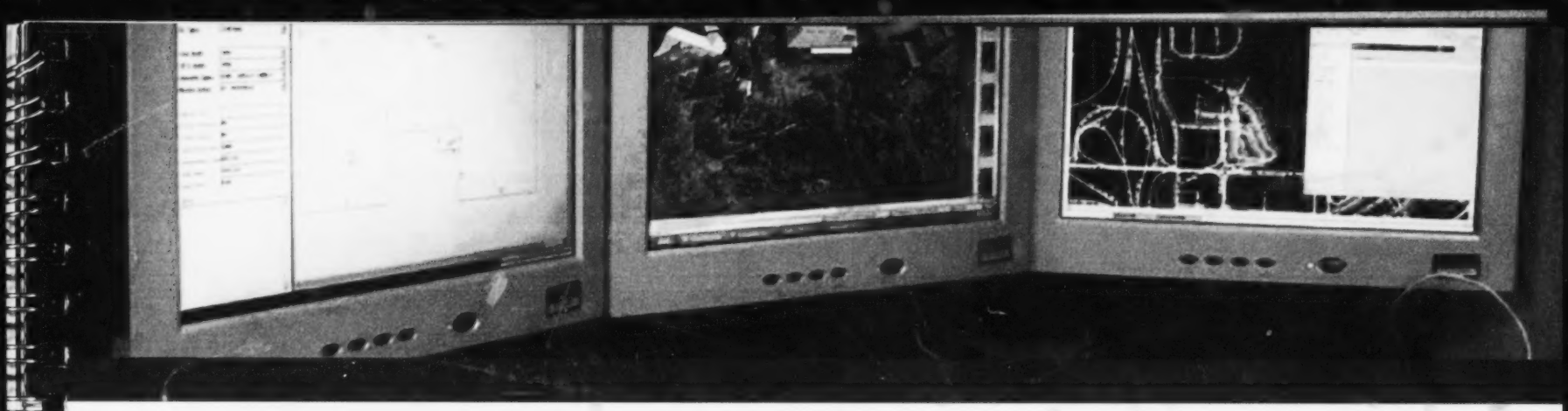
RISK MANAGEMENT

In 2007, BC Assessment introduced dedicated management positions to enhance risk management, internal audit, strategic planning, and performance management. These dedicated positions were introduced to reduce risks across the organization, increase accountability to stakeholders, and to increase the likelihood of achieving BC Assessment's goals and objectives.

BC Assessment has adopted a commonly used international model for risk management referred to as AS/NZS 4360:2004. In 2007, Enterprise-Wide Risk Management processes were enhanced through the establishment of risk-management policy, an evaluation of risk-level maturity, development of standardized risk registers, and the establishment of a risk tolerance template to be used for improved consistency and objectivity in evaluating the likelihood and consequence of identified risk. Several facilitated risk management sessions were undertaken throughout the year to identify significant risks, assess the adequacy of existing controls, and to develop mitigating strategies where warranted. In addition, national emerging assessment issues were identified and prioritized through BC Assessment's participation in the Canadian Directors of Assessment.

An Internal Audit Department was introduced in 2007 to work co-operatively with BC Assessment's management and staff to improve the economy, efficiency, and effectiveness of operations, and to provide independent assurance to BC Assessment's Audit and Finance Committee that management has implemented an effective system of internal controls to manage the risks facing the organization. A three-year Internal Audit Plan was developed in 2007 based on a comprehensive risk assessment of the organization.

Strategic planning and performance processes have been enhanced through the introduction of a comprehensive planning and performance management framework that includes a Corporate Operating Plan and Divisional Operating Plans that are linked to Corporate Performance Measures. Corporate and Regional Performance Reports and Improvement Plans are also being implemented to enhance continuous improvement throughout the organization and align employee activities and the goals and objectives identified in the Service Plan.



EXTERNAL BUSINESS ENVIRONMENT

BC Assessment's external business environment is driven primarily by the residential and commercial real estate markets. In 2007, the trend of rapidly escalating property values and exponential growth in development continued in British Columbia. Such an active market is challenging for BC Assessment staff because new properties require valuation, and higher sales volumes mean more sales information must be tracked and analyzed. Capacity is therefore an ongoing issue for BC Assessment.

The Conference Board of Canada expects strong economic growth of 3 percent in 2008. The Board anticipates ongoing construction for the 2010 Olympics and public infrastructure projects will help boost non-residential investment by 9 percent in 2008. Consumer spending is also expected to remain strong with retail sales forecast at 6.8 percent this year.[1]

Customer expectations for products, services, information, and roll quality continue to increase. While this is an opportunity for revenue and growth, the effect is also increasing pressure upon the organization to meet customer needs. Information that the Corporation compiles and produces is valuable to property owners who are seeking solutions to economic, taxation or regulatory issues, and to local governments for specific business purposes.

INTERNAL BUSINESS ENVIRONMENT

The Corporation will continue to explore opportunities for improving the integrity of our data, enhancing transparency of information, and adapting new technologies to improve operational efficiency and effectiveness.

To continue to develop the capacity of its workforce, BC Assessment is focussing on new recruitment techniques, employee orientation and engagement programs, leadership development opportunities, and other human resource initiatives.

The following table outlines the key risks as identified in BC Assessment's 2007-2009 Service Plan, and the Corporation's strategies to reduce those risks.

[1] Conference Board of Canada, Provincial Outlook, Autumn 2007

ISSUE	POTENTIAL RISKS	KEY RESPONSES
Business Continuity	Loss of access to the data centre would immediately halt all work on value*BC* data processing. Changes to assessment information would not be possible, resulting in inability to provide assessment reports and services (Assessment Link*BC*, Data Advice, Rolls and Notices) to customers in a timely manner.	A secure disaster recovery site is maintained at a separate location and assessment data and records can presently be restored to the previous business day. BC Assessment has undertaken an independent Risk and Control review of the value*BC* system. The recommendations from the report resulting from this review will enhance the organization's ability to ensure that appropriate risk mitigation strategies are in place to ensure protection of the data critical to operations.
Capacity	Producing the Assessment Rolls each year by the legislated deadlines and within budget and human resource limitations presents organizational capacity challenges. This has intensified in recent years as a result of an extremely active real estate market, a competitive employment market, and higher rates of retirement and staff turnover. The current competitive employment market and higher rates of retirement could place pressures on BC Assessment with respect to its staffing capacity.	BC Assessment addresses capacity issues through strategies such as: • leadership and strategic planning at the Board, Executive, and local office levels; • a professional, motivated, and team-oriented workforce; • partnerships and consultation with all levels of government, stakeholders and customers; • a project management approach to achievement of work objectives; and • use of efficient valuation methodologies and innovative technologies to cost-effectively improve data quality and integrity. BC Assessment has implemented a retirement forecasting model to monitor and assist with succession planning. In order to increase retention of existing employees, the Corporation undertook an employee survey and is developing specific strategies to improve levels of employee engagement across the company. The organization was quite successful during 2007 in developing specific relationships with key post-secondary institutions with the objective of increasing recruitment of students as appraisers. Work continues on developing and marketing a BC Assessment employment brand.

ISSUE	POTENTIAL RISKS	KEY RESPONSES
Data Integrity	Integrity of the data is a vital component of any information system. BC Assessment relies on its data to not only carry out its mandate of producing accurate annual property assessments, but also to satisfy many customers' property-related information needs. Without a program of constantly checking and improving our data integrity, BC Assessment could fail in its mandate.	The Quality Assurance and Audit Departments regularly audit data to ensure BC Assessment can continue to produce accurate and uniform property assessments and meet customers' needs for assessment information. In 2007, Quality Assurance ran approximately 145 monthly quality assurance measures and over 200 other data checks. Over 391,000 manual corrections were made to the data in order to sustain our program of continuously improving our extensive array of information. An internal Audit Department was introduced in 2007. The Audit Plan includes reviews of critical systems and processes that have an impact on data integrity.
Economic Conditions	Pronounced changes upward or downward in the provincial economy can rapidly and inequitably impact real estate values and make it more difficult to maintain a stable and predictable tax base. British Columbia's strong economic growth in recent years is reflected in dynamic and uneven real estate market price changes, which can lead to substantial shifts in property tax burden. An increasingly sophisticated real estate market — as evidenced by the doubling of assessed property value per BC Assessment employee over the past seven years — creates additional capacity issues for the organization.	Capacity issues must be strategically addressed as identified above (see "Capacity"). Increasing transparency of property assessment information assists property owners in ensuring that their assessments are fair and equitable during periods of market volatility.

ISSUE	POTENTIAL RISKS	KEY RESPONSES
Financial Accountability	Financial accountability is an important principle for a public organization. Failure to have appropriate internal and external financial controls could lead to declining confidence of taxpayers, taxation authorities, and other stakeholders.	The Corporation maintains appropriate internal controls and will continue reporting regularly to the Audit and Finance Committee and Board of Directors, and quarterly to the Office of the Comptroller General. In 2007, a dedicated internal audit function with considerable latitude and independence was created to strengthen accountability and enable continuous improvement through audit analysis and performance management. BC Assessment is subject to an annual external audit of its financial statements, currently performed by the Office of the Auditor General.
Public Reputation and Confidence	Rising property values in recent years concern property owners who may worry about the possible effect on their property taxes administered by their local taxing authority. Increasing pressures on the property tax as the primary source of local government revenue are likely to be reflected in heightened resistance to changes in property assessment, and the property assessment system.	BC Assessment runs an annual Property Assessment Communications Campaign (PACC), which focuses on promoting greater public awareness and education for the property assessment process through publications, media relations, the Internet, stakeholder communications, and other strategies. The BC Assessment website at www.bcassessment.ca contains online tools that help property owners find answers to both specific and general questions about property assessment in British Columbia. The BC Assessment Customer Service Excellence Program includes a Service Commitment and Service Standards to help guide staff interactions with the public. The organization conducts customer surveys and analyzes media coverage to respond to customer concerns in a timely way. The program supports the existing BC Assessment Standards of Conduct to prevent circumstances that could damage the reputation of BC Assessment or its employees.
Executive Management Continuity	Lack of clear leadership accountability in the absence of individual executives could disrupt operations.	The Board of Directors developed a matrix setting out the responsibilities delegated to the Chief Executive Officer and the Executive Management Team. Guidelines were developed to delegate authority in the absence of the Chief Executive Officer and/or Executive Directors to ensure that BC Assessment's operations would be maintained with minimal disruption. In addition, executive management continuity is addressed through succession planning and employee development.

PROGRESS AGAINST SHAREHOLDER'S LETTER OF EXPECTATIONS

The Minister of Small Business and Revenue, to whom BC Assessment reports, outlines performance expectations, public policy issues, and strategic priorities through an annual Shareholder's Letter of Expectations, which is signed by both parties. The terms of the agreement are reviewed and updated annually. The complete 2007 agreement can be viewed on BC Assessment's website at www.bcassessment.ca/pdf/about/2007Shareholders_Letter_of_Expectations.pdf.

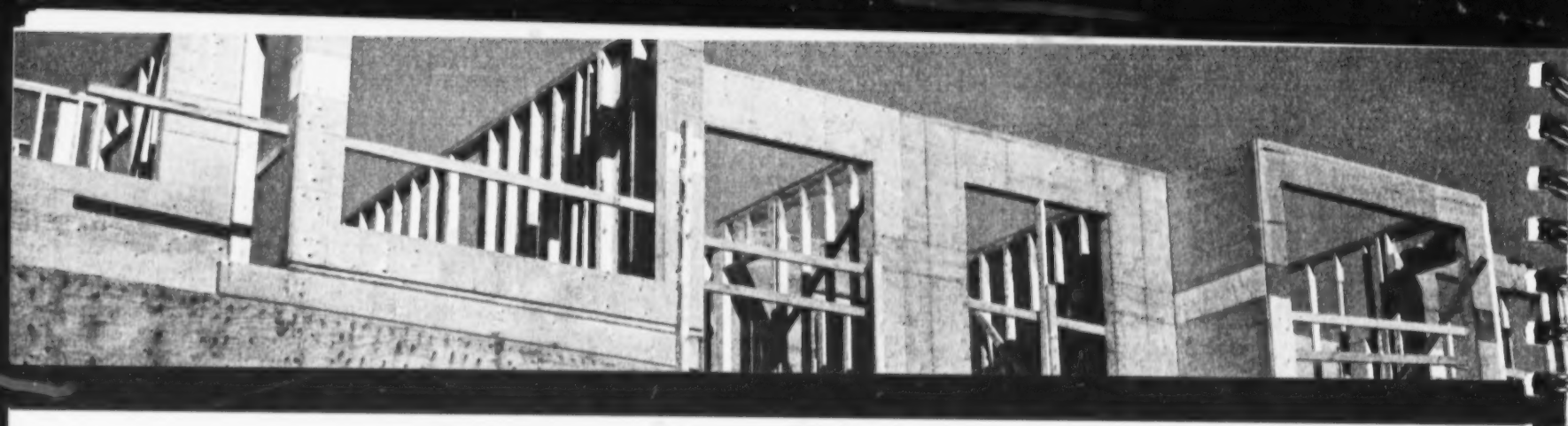
The key requirements identified for BC Assessment in 2007 and actions taken are outlined in the Table below.

SHAREHOLDER'S LETTER OF EXPECTATIONS	BC ASSESSMENT ACTIONS
Work closely with the Ministry of Small Business and Revenue (Ministry) to oversee the implementation of the changes contained in the *Assessment Statutes Amendment Act, 2007* (Bill 32, 2007). Specifically, the Corporation will provide the Minister with a detailed implementation plan for the new short term overnight accommodation property (STOCAP) legislation that focuses on customer service and support for the new policy changes. (Timeline: September 2007).	Following passage of the *Assessment Statutes Amendment Act, 2007* and the consequential regulations, BC Assessment made the changes to the assessment process required by the legislation. Most significantly, these changes included: • a new governance structure for BC Assessment which transferred the responsibilities of the position of Assessment Commissioner (a position that was eliminated by legislation) to the Board of Directors of BC Assessment; • a new valuation methodology for certain port lands and major ski hills; and, • a new classification process for strata properties that are used partially for short-term overnight rental accommodation and partially for the personal use of the owner. This new process means that some of these stratified accommodation units continue to qualify for residential classification as long as specific criteria are met but the majority of such properties will have their classifications split between the residential and commercial classes based on the usage for each purpose, as reported by their owners. BC Assessment developed a detailed implementation plan to facilitate these changes and provided a copy of that plan to the Minister in September 2007.

SHAREHOLDER'S LETTER OF EXPECTATIONS	BC ASSESSMENT ACTIONS
Improve the property assessment complaint scheduling process to ensure that there is sufficient flexibility in scheduling, that the timing of hearings be convenient, that sufficient time is provided for hearings and that information provided to the public is timely and accessible. (Timeline: December 2007)	BC Assessment provides complainants with increased scheduling flexibility and continues to work with the Ministry of Small Business and Revenue to explore possible improvements to the process. Hearing length has been increased from 20 to 30 minutes to ensure that complainants have a full opportunity to be heard. Evaluation of the effectiveness of the scheduling process is reviewed at the end of the hearings period to identify opportunities to improve the process. Residential property owners who appeal to PARP are provided, in advance, with information on comparable properties that BC Assessment intends to use in the hearings. In 2007, BC Assessment also further developed the popular "Assessments and Sales by Address" (ASBA) feature on the Corporation's website for the 2008 roll. During the January inquiry period, the online self-serve feature allows property owners to select up to eight detailed property information reports to compare properties similar to their own. Sales information is available during the January through March inquiry and appeal period. Assessed values are posted for the entire year. By making such information more accessible to the public, ASBA allows property owners to make more informed decisions regarding the fairness of their assessments and provides information of value to them in the event of a complaint or appeal. Each January, the BC Assessment website receives approximately 300,000 visits and the staff in 18 area offices assist almost 48,000 customers enquiring about their property assessments.
Continue to report out to the Shareholder on the progress and improvements provided by the performance measurement system implemented to benchmark the Corporation's operations against those of other North American assessment jurisdictions. These measurements should include benchmarks that measure service quality to taxpayers. (Timeline: December 2007)	In 2007, BC Assessment was involved in a number of initiatives to enhance opportunities for benchmarking BC Assessment's operations with other jurisdictions. These initiatives included: • a comprehensive review of internal corporate performance measures; • a review of the national benchmarking survey and performance measures; • the establishment of a national electronic forum to enhance research opportunities and communications between benchmarking participants; and, • the establishment of a framework within which to develop national communities of practice to assist with developing strategies in critical areas such as customer service, emerging issues, information technology, and human resource management.

SHAREHOLDER'S LETTER OF EXPECTATIONS	BC ASSESSMENT ACTIONS
Take action on climate change and make a contribution in meeting British Columbia's total greenhouse gases and environmental targets (33 percent reduction by 2020). Specifically, the Corporation will develop strategies and take action to reduce the Corporation's environmental footprint and recommend options for assessment legislative or regulatory change that would promote environmentally friendly real estate improvements and development. (Timeline: November 2007)	In 2007, BC Assessment commenced development of a strategy to achieve carbon neutrality by the close of 2010. The Corporation will develop action plans for 2008 to 2010 to measure and report on greenhouse gas emissions and implement emission reduction strategies. BC Assessment will encourage staff involvement in developing ideas and new solutions to meet government's climate objectives. The Board has also established a new Climate Action Committee to ensure that this initiative is seen as a corporate priority, and that progress is being made against the organization's goals.
Develop a strategy to address the Corporation's unappropriated equity over two years. (Timeline: October 2007)	During 2007, the Board of Directors reviewed and approved the 2007-2011 five-year financial plan which included a strategy to reduce unappropriated equity early in the planning period to moderate tax levy increases to taxpayers.

In the 2008 Annual Service Plan Report BC Assessment will report against the 2008 Shareholder's Letter of Expectations, which may be viewed at www.bcassessment.ca/pdf/about/Shareholders_Letter_of_Expectations.pdf.



MANAGEMENT DISCUSSION AND ANALYSIS

BC Assessment's primary source of revenue is from a tax levy placed on each taxable property. This tax levy is a component of the property taxes paid by property owners to the taxing authorities who in turn remit the tax levy to BC Assessment. Other revenue sources are contract revenue, data access services, payments in lieu of taxes, First Nations services, and investment income.

The financial statements of BC Assessment are prepared by management in accordance with Canadian generally accepted accounting principles. BC Assessment has a December 31 fiscal year end.

SUMMARY OF FINANCIAL RESULTS 2003-2007

The following table provides key financial results for the fiscal years 2003-2007 and a financial forecast for the fiscal years 2008-2010. It also includes a comparison of the 2007 actual results to the 2007 budget and to the 2006 actual results.

SUMMARY OF FINANCIAL RESULTS 2003 TO 2007 AND FINANCIAL FORECAST 2008 TO 2010

Statement of Revenue and Expenditure

(in $000's)	2003 ACTUAL	2004 ACTUAL	2005 ACTUAL	2006 ACTUAL	2007 ACTUAL	2007 BUDGET	VARIANCE FROM 2007 BUDGET	COMPARISON TO 2006 ACTUAL	2008 FORECAST	2009 FORECAST	2010 FORECAST
REVENUE:											
Tax levies	60,594	60,304	62,589	64,085	65,372	65,790	(418)	1,287	69,173	72,688	76,230
Other	4,310	4,544	8,525	6,972	5,585	5,902	(317)	(1,387)	5,377	5,498	5,648
Grant from the Province	-	-	-	2,343	-	-	-	(2,343)	-	-	-
Investment	468	391	404	752	904	700	204	152	700	650	600
Gain on disposal of capital assets	-	159	-	31	34	-	34	3	-	-	-
	65,372	65,398	71,518	74,183	71,895	72,392	(497)	(2,288)	75,250	78,836	82,478
EXPENDITURE:											
Salaries and benefits	42,450	43,715	46,414	49,315	49,333	47,671	1,662	18	50,338	52,034	53,850
Professional and special services	5,304	6,048	8,940	6,997	6,954	7,483	(529)	(43)	7,630	7,864	8,235
Office premises	4,495	4,413	4,537	4,569	4,613	4,779	(166)	44	5,181	5,756	5,875
Office	3,435	3,869	4,200	4,168	4,577	4,868	(291)	409	5,291	5,451	5,537
Travel	2,567	2,138	1,587	1,635	1,574	1,897	(323)	(61)	1,700	1,723	1,775
Appeal costs	1,700	1,632	1,885	2,010	2,721	2,217	504	711	2,825	2,730	2,760
Bad debts	-	-	32	1	28	-	28	27	-	-	-
Interest	79	68	87	111	125	115	10	14	115	115	115
Amortization	2,389	2,143	3,000	3,069	3,351	3,362	(11)	282	3,926	4,224	4,682
	62,419	64,026	70,682	71,875	73,276	72,392	884	1,401	77,006	79,897	82,829
(Deficiency) excess of revenue over expenditure before non-recurring revenue	2,953	1,372	836	2,308	(1,381)	-	(1,381)	(3,689)	(1,756)	(1,061)	(351)
Non-recurring revenue	-	747	-	-	-	-	-	-	-	-	-
(Deficiency) excess of revenue over expenditure for the year	2,953	2,119	836	2,308	(1,381)	-	(1,381)	(3,689)	(1,756)	(1,061)	(351)

**2008 – 2010 forecast figures are as published in the 2008 – 2010 Service Plan*

SUMMARY OF FINANCIAL RESULTS 2003 TO 2007 AND FINANCIAL FORECAST 2008 TO 2010

Equity Balances, end of year

(in $000's)	2003 ACTUAL	2004 ACTUAL	2005 ACTUAL	2006 ACTUAL	2007 ACTUAL	2007 BUDGET	VARIANCE FROM 2007 BUDGET	COMPARISON TO 2006 ACTUAL	2008 FORECAST	2009 FORECAST	2010 FORECAST
Equity in capital assets	9,015	11,740	13,562	13,248	12,773	12,602	171	(475)	15,783	15,386	13,446
Equity from operations - appropriated	5,000	5,400	3,500	3,880	4,450	4,450	-	570	4,831	5,325	6,150
Equity from operations - unappropriated	6,536	5,530	6,444	8,686	7,210	8,472	(1,262)	(1,476)	2,000	842	1,606
	20,551	22,670	23,506	25,814	24,433	25,524	(1,091)	(1,381)	22,614	21,553	21,202

Capital Expenditures

(in $000's)	2003 ACTUAL	2004 ACTUAL	2005 ACTUAL	2006 ACTUAL	2007 ACTUAL	2007 BUDGET	VARIANCE FROM 2007 BUDGET	COMPARISON TO 2006 ACTUAL	2008 FORECAST	2009 FORECAST	2010 FORECAST
	4,749	4,966	4,848	2,755	2,876	2,876	-	121	6,848	3,827	2,742

Staffing

NUMBER OF FULL TIME EQUIVALENTS (FTE)	2003 ACTUAL	2004 ACTUAL	2005 ACTUAL	2006 ACTUAL	2007 ACTUAL	2007 BUDGET	VARIANCE FROM 2007 BUDGET	COMPARISON TO 2006 ACTUAL	2008 FORECAST	2009 FORECAST	2010 FORECAST
	620	638	681	670	686	671	15	16	658	658	658

**2008 – 2010 forecast figures are as published in the 2008 – 2010 Service Plan*

COMPARISON OF 2007 ACTUAL RESULTS TO 2007 BUDGET

Significant variances from budget are as follows:

- A deficiency of revenue over expenditure for the year was $1.4 million compared to a break-even budget where revenues equal expenditures. This deficiency was funded from accumulated equity from operations.
- Revenue was $497,000 under budget mainly due to:
  - lower tax levy revenue due to settlement of appeals from prior years and other adjustments in taxable values;
  - other revenue was lower than planned resulting from new contract rates that were established in 2007 for the Greater Vancouver Transportation Authority (now South Coast British Columbia Transportation Authority) contract to produce a parking site tax roll for TransLink;
  - offset by higher investment earnings.
- Total expenditures were $884,000 over budget. The variances from budget were caused by a number of factors, including:
  - higher salaries and benefits costs resulting from the implementation of a new organizational model to enhance customer service, aggressive recruitment strategies to address succession issues and additional resources to address changes in legislation;
  - higher than anticipated appeal costs requisitioned by the Province to cover operating costs of the Property Assessment Review Panel and the Property Assessment Appeal Board;
  - offset by lower expenditures in a number of areas including professional services, office premises, office, and travel costs.
- Capital expenditures were on budget and were expended on the purchase and replacement of capital assets used in operations.
- Staffing levels for the year were 686 full-time equivalents (including both permanent and temporary employees) compared to a budget of 671 full-time equivalents.

COMPARISON OF 2007 ACTUAL RESULTS TO 2006 ACTUAL RESULTS

A deficiency of revenue over expenditure for the year ended December 31, 2007 of $1.4 million was reported compared to an excess of revenue over expenditure of $2.3 million in 2006. The 2007 deficiency was funded from accumulated equity from operations.

- Revenue was $2.3 million lower in 2007 than in 2006. In 2006, revenue included a $2.3 million non-recurring grant received from the Province of British Columbia as part of the Negotiating Framework to cover a one-time payroll payment to all eligible employees. After removing this one-time grant, total revenue for 2007 was comparable to 2006. Highlights include:
  - Tax levy rates were set so that the average taxpayer in each class would pay no more in 2007 than in 2006. The increase in tax levy revenue of $1.3 million resulted from new construction and development.
  - Other revenue was $1.4 million lower in 2007 than in 2006 mainly due to the renegotiated contract with the Greater Vancouver Transportation Authority, partially offset by higher revenue from data access services.

- Investment income was $152,000 higher than in 2006. Expenditures were $1.4 million higher in 2007 than in 2006. After removing the one-time payroll payment noted above from 2006, the 2007 expenditures were $3.7 million higher. Highlights include:
  - Salaries and benefits costs were $2.3 million higher in 2007. This increase was due to negotiated salary increases, the implementation of a new organizational model to enhance customer service, aggressive recruitment strategies to address succession issues and additional resources to address changes in legislation.
  - Office costs were $409,000 higher in 2007 than in 2006. This was primarily due to increased use of mapping services and aerial photography to collect appraisal information and inflationary increases in data processing, postage, telephone and other costs.
  - Appeal costs requisitioned by the Province to cover operating costs of the Property Assessment Review Panel and Property Assessment Appeal Board were $711,000 higher in 2007 than in 2006.
- Capital expenditures for 2007 approximated the level of expenditure for 2006.

FINANCIAL FORECAST 2008-2010

This financial forecast incorporates the following key assumptions:

- BC Assessment borrows funds to finance operations and capital expenditures during the first half of each fiscal year and repays debt from the proceeds of taxes at the end of July. The Ministry of Finance acts as the fiscal agent of BC Assessment.
- The Board of Directors of BC Assessment established that funding for significant non-recurring expenditures be provided from accumulated equity from operations. In addition to amounts appropriated to complete information technology projects, since 2005, the Board has appropriated $1 million each year for future assessment system replacement. Appropriated amounts have been separately classified as a component of equity.
- In response to the 2007 Shareholder's Letter of Expectations, which required a strategy be developed to address the Corporation's unappropriated equity over two years, the Board of Directors approved a five-year financial plan which included planned deficits early in the planning period to moderate tax levy increases to taxpayers.
- In March 2005, a contract was signed with the Greater Vancouver Transportation Authority (now known as the South Coast British Columbia Transportation Authority) to produce a parking site tax roll for TransLink. On November 30, 2007, legislation was amended to eliminate the parking site roll. Financial estimates for 2008-2010 reflect the termination of this contract.

Audited Financial Statements of

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Year ended December 31, 2007

BRITISH COLUMBIA ASSESSMENT AUTHORITY
STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of the British Columbia Assessment Authority ("BC Assessment") for the year ended December 31, 2007 have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied and appropriate in the circumstances. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized in the notes to financial statements.

Management is responsible for the preparation of the financial statements and has established a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for preparation of financial statements.

The Board of Directors carries out its responsibility for the review of the financial statements. The Board meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board, with and without the presence of management.

The Auditor General of British Columbia, the external auditor of BC Assessment, has performed an independent audit of the financial statements of BC Assessment in accordance with generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and his opinion on the financial statements of BC Assessment.

Doug Rundell
CHIEF EXECUTIVE OFFICER

Laurie McAmmond
EXECUTIVE DIRECTOR
CORPORATE SERVICES

Victoria, British Columbia
March 7, 2008

REPORT OF THE AUDITOR GENERAL OF BRITISH COLUMBIA

To the Board of Directors of the
British Columbia Assessment Authority, and

To the Minister of Small Business and Revenue,
and Minister Responsible for Regulatory Reform
Province of British Columbia:

I have audited the balance sheet of the *British Columbia Assessment Authority* as at December 31, 2007 and the statements of revenue and expenditure, equity and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *British Columbia Assessment Authority* as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
March 7, 2008

John Doyle, MBA, CA
Auditor General

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Balance Sheet

(in $000s)
December 31, 2007

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	**21,835**	22,244
Accounts receivable	**1,311**	1,563
Prepaid expenses	**808**	624
	23,954	24,431
Capital assets (note 2)	**12,773**	13,248
	36,727	37,679
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**9,878**	9,332
Current portion of long-term liabilities	**283**	134
	10,161	9,466
Long-term liabilities:		
Employees' past benefits (note 3)	**15**	47
Employees' future benefits (note 3)	**2,099**	2,352
Lease inducements	**19**	–
	2,133	2,399
Equity:		
Equity in capital assets	**12,773**	13,248
Equity from operations – appropriated	**4,450**	3,880
Equity from operations – unappropriated	**7,210**	8,686
	24,433	25,814
	36,727	37,679

Commitments (note 5)

The accompanying notes are an integral part of these financial statements.

On behalf of the Board

Lillian White
DIRECTOR

DIRECTOR

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Revenue and Expenditure

(in $000s)
Year ended December 31, 2007

	2007	2006
Revenue:		
Tax levies	**65,372**	64,085
Other (note 6)	**5,585**	6,972
Grant from the Province (note 7)	**–**	2,343
Investment	**904**	752
Gain on disposal of capital assets	**34**	31
	71,895	74,183
Expenditure:		
Salaries and benefits	**49,333**	49,315
Professional and special services	**6,954**	6,997
Office premises	**4,613**	4,569
Office	**4,577**	4,168
Travel	**1,574**	1,635
Appeal costs (note 8)	**2,721**	2,010
Bad debts	**28**	1
Interest (note 9)	**125**	111
Amortization	**3,351**	3,069
	73,276	71,875
(Deficiency) excess of revenue over expenditure for the year	**(1,381)**	2,308

The accompanying notes are an integral part of these financial statements.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Equity

(in $000s)
Year ended December 31, 2007

	Capital assets	Appropriated (note 10)	Unappropriated	2007	2006
Equity, beginning of year	13,248	3,880	8,686	**25,814**	23,506
(Deficiency) excess of revenue over expenditure for the year	(3,351)	–	1,970	**(1,381)**	2,308
Transfers to equity in capital assets	2,876	–	(2,876)	**–**	–
Transfer during year	–	570	(570)	**–**	–
Equity, end of the year	12,773	4,450	7,210	**24,433**	25,814

The accompanying notes are an integral part of these financial statements.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Statement of Cash Flows

(in $000s)
Year ended December 31, 2007

	2007	2006
Cash provided by (used in):		
Operations:		
(Deficiency) excess of revenue over expenditure for the year*	**(1,381)**	2,308
Items not involving cash:		
Amortization	**3,351**	3,069
Gain on disposal of capital assets	**(34)**	(31)
Decrease in employees' past benefits	**(29)**	(38)
(Decrease) increase in employees' future benefits	**(107)**	23
Increase in lease inducements	**19**	–
Changes in non-cash operating working capital (note 11)	**614**	1,326
	2,433	6,657
Investing:		
Acquisition of capital assets	**(2,876)**	(2,755)
Proceeds on disposal of capital assets	**34**	31
	(2,842)	(2,724)
(Decrease) increase in cash	**(409)**	3,933
Cash and cash equivalents, beginning of year	**22,244**	18,311
Cash and cash equivalents, end of year (note 11)	**21,835**	22,244

*Includes interest paid of $124,511 (2006 - $111,267)

The accompanying notes are an integral part of these financial statements.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2007

The British Columbia Assessment Authority ("BC Assessment") was established in 1974 by the Province of British Columbia with the enactment of the Assessment Authority Act. The purpose of BC Assessment is to establish and maintain assessments that are uniform in the whole of the province in accordance with the Assessment Act.

BC Assessment, by by-law and subject to the prior approval of the Lieutenant Governor in Council, each year imposes and levies a tax upon all taxable real property in the province, but excluding property that is taxable for school purposes only by special Act. A copy of this by-law is forwarded to the Tax Collector of every municipality in the province and to the Surveyor of Taxes in order that the taxes so levied will be placed on the tax rolls. The proceeds of the taxes so levied and collected by the municipalities or the Minister of Small Business and Revenue constitutes BC Assessment's tax levies revenue.

1. Significant accounting policies:

The financial statements of BC Assessment have been prepared by management in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies used in the preparation of these financial statements.

(a) Change in Accounting Policy

Effective January 1, 2007 BC Assessment has adopted the new standard announced by the Canadian Institute of Chartered Accountants (CICA) Section 3855, *Financial Instruments – Recognition and Measurement*. Under the new standards, all financial assets must be classified as held-to-maturity, loans and receivables, held-for-trading or available-for-sale and all financial liabilities must be classified as held-for-trading or other financial liabilities. Financial instruments classified as held-for-trading will be measured at fair value with changes in fair value recognized in investment revenue. Financial assets classified as held-to-maturity or as loans and receivables and financial liabilities not classified as held-for-trading will be measured at amortized cost. This accounting policy was adopted on a prospective basis with no restatement of prior period financial statements.

1. Significant accounting policies (continued):

(a) Change in Accounting Policy (continued):

As of January 1, 2007, BC Assessment has designated its Financial Instruments as follows:

Cash and cash equivalents are classified as held for trading and measured at fair value and all gains and losses are included in excess of revenue over expenditures in the period in which they occur. Accounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payables and accrued liabilities are classified as other financial liabilities and are also measured at amortized cost.

It is management's opinion that BC Assessment is not exposed to significant interest, currency or credit risk arising from these instruments.

(b) Cash and cash equivalents:

Cash and cash equivalents include deposits in banks and those short-term money market instruments with initial terms of maturity of three months or less.

(c) Capital assets:

Capital assets are carried at cost less accumulated amortization. Amortization is determined at rates which will reduce original cost to estimated residual value over the useful life of the asset. The annual rates used to compute amortization on a straight-line basis are as follows:

Asset	Rate
Buildings	5%
Furniture and equipment, including computer equipment	20-33%
Assessment system software *	10%
Other software	33-100%
Motor vehicles	20%
Leasehold improvements	Over the term of the lease

*Customization and additions to assessment system software are amortized over the estimated remaining useful life of the system.

1. Significant accounting policies (continued):

(d) Lease inducements:

Tenant inducements, including cash payments and rent free periods, received for leased premises are deferred and amortized on a straight-line basis over the term of the lease.

(e) Measurement uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and other expenditure during the year. Items requiring the use of significant estimates include employees' future benefits and various other expenditure accruals. Actual results could differ from these estimates.

(f) Future Accounting Changes:

In December 2006, the CICA issued the following accounting changes that will be relevant to BC Assessment's financial statements effective January 1, 2008:

Financial Instruments

The CICA has issued two new accounting standards, Section 3862 (Financial Instruments – Disclosures) and Section 3863 (Financial Instruments – Presentation), which will revise and enhance the current disclosure requirements but do not change the existing presentation requirements for financial instruments. The new disclosure will provide additional information on the nature and extent of risk arising from financial instruments and how the Authority manages those risks.

BRITISH COLUMBIA ASSESSMENT AUTHORITY

Notes to Financial Statements

Year ended December 31, 2007

2. Capital assets:

(in $000s)	Cost	Accumulated amortization	**2007 Net book value**	2006 Net book value
Land	354	–	**354**	354
Buildings	2,519	1,344	**1,175**	1,301
Furniture and equipment, including computer equipment	17,888	16,043	**1,845**	2,199
Assessment system software	12,138	3,789	**8,349**	8,911
Other software	89	75	**14**	–
Motor vehicles	1,952	1,378	**574**	365
Leasehold improvements	764	302	**462**	118
	35,704	22,931	**12,773**	13,248

3. Long-term liabilities:

(a) Employees' past benefits:

At the time of the formation of the British Columbia Assessment Authority, BC Assessment negotiated an agreement with those designated employees whose previous working agreements contained clauses that called for payment of certain benefits upon death, retirement or termination of employment. The benefits under the agreement are recognized as a long-term liability, with an amount equal to payments due within the immediate twelve months following the statement date segregated and recognized as a current liability. Adjustments to the liability resulting from changes in salary rates are charged to the current year. Payments of benefits are treated as a reduction of the liability.

3. Long-term liabilities (continued):

(b) Employees' future benefits:

Outside of the Public Service Pension Plan, BC Assessment annually accrues the future obligation under the defined retirement benefit plan as the employees render the services necessary to earn the benefit. Management, using an estimate of salary escalation and expected retirement ages, calculates the cost of the defined retirement benefit. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to BC Assessment.

			2007	2006
(in $000s)	Total liability	Current portion	**Net liability**	Net liability
Employees' past benefits	31	16	**15**	47
Employees' future benefits	2,366	267	**2,099**	2,352
	2,397	283	**2,114**	2,399

4. Employee benefits plan:

BC Assessment and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pension Plans Act. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2005) determined the Plan has an unfunded liability. As a result, the actuary determined that an increase in contribution rates of 1.88% each, for plan members and employers, was necessary in order for the Plan to maintain its long term financial soundness and thus its ability to meet the pension promise made to plan members. The increase in rates was introduced effective April 1, 2006.

Contributions to the Plan by BC Assessment for 2007 were $3,365,729 (2006: $3,028,947).

5. Commitments:

BC Assessment is committed to make payments under operating leases and contracts as follows:

(in $000s)	Premises leases	Other contracts
2008	4,312	1,818
2009	4,742	1,106
2010	3,597	391
2011	3,328	42
2012	2,725	–
2013-2019	8,012	–
	26,716	3,357

6. Other revenue:

(in $000s)	**2007**	2006
Contract revenue	**645**	2,396
Data access services	**3,729**	3,394
Payments in lieu of taxes	**742**	709
First Nations services	**425**	424
Other	**44**	49
	5,585	6,972

7. Grant from the Province:

In 2006, BC Assessment received $2,369,400 from the Province of British Columbia as part of the 2006 Negotiating Framework to cover a one-time incentive payment for all eligible employees. Of the total amount received, $2,343,164 was paid to eligible employees and the excess of $26,236 was returned to the Province.

8. Appeal costs:

BC Assessment is required to reimburse the Province of British Columbia for the operating costs of the Property Assessment Review Panel and the Property Assessment Appeal Board.

9. Financing:

Under subsection 20(5) of the Assessment Authority Act, BC Assessment may, "until receipt of the proceeds of the taxes... borrow an amount not exceeding the proceeds of the taxes...and the loan must be repaid from the proceeds of the taxes".

The maximum borrowings by BC Assessment during 2007 were $17,899,527 (2006: $17,994,107).

10. Equity from operations - appropriated:

The Board of Directors established that funding for significant non-recurring expenditures be provided from accumulated equity from operations. The appropriated amount of $4,450,000 (2006: $3,880,000) has been separately classified as a component of equity to reflect this direction by the Board. The appropriation reflects $1.45 million towards completion of information technology projects and $3 million towards future assessment system replacement.

11. Supplemental cash flow information:

(a) Major components of cash and cash equivalents are as follows:

(in $000s)	2007		2006	
	Cost	**Fair Value**	Cost	Fair Value
Cash	**486**	**486**	119	119
Short-term investments	**21,328**	**21,349**	22,125	22,128
Cash and cash equivalents, end of year	**21,814**	**21,835**	22,244	22,247

(b) Changes in non-cash working capital:

(in $000s)	**2007**	2006
Current assets:		
Accounts receivable	**252**	155
Prepaid expenses	**(184)**	(316)
Current liabilities:		
Accounts payable and accrued liabilities	**546**	1,487
	614	1,326

12. Related party transactions:

In the normal course of operations, BC Assessment entered into transactions with the Province and certain Crown corporations, predominantly at prevailing market prices and credit terms.

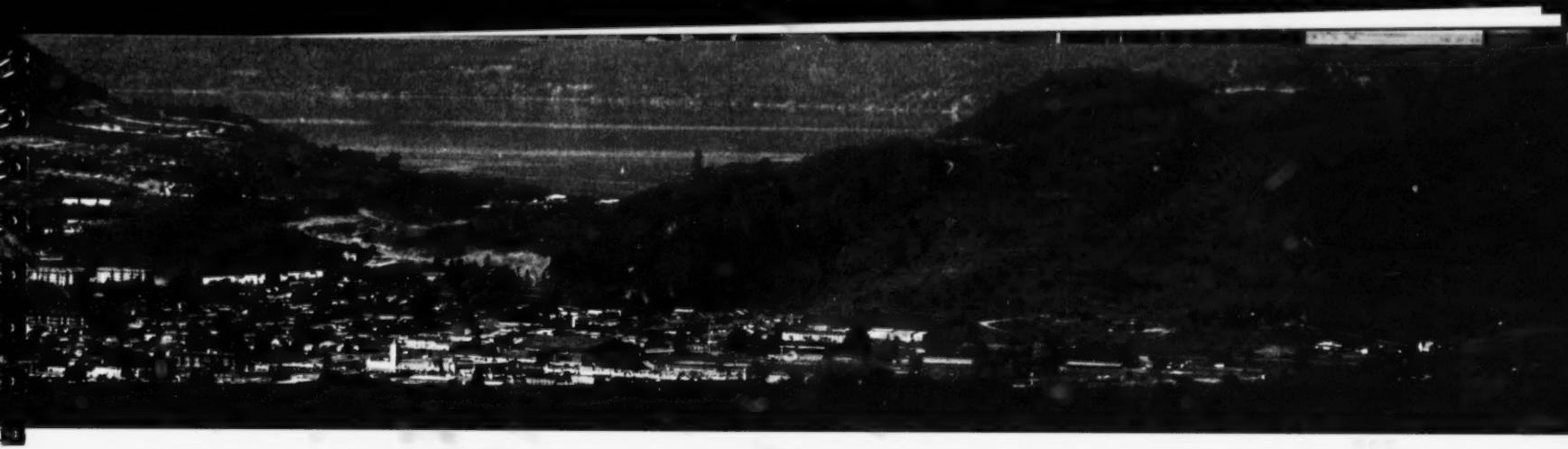
The statement of revenue and expenditure includes the following transactions with related parties:

(in $000s)	2007	2006
Grant from the Province	–	2,343
Other revenue	56	58
Payments for:		
Appeal costs	2,721	2,010
Salaries and benefits	720	662
Office	499	597
Professional and special services	548	494
Interest	110	98
Office premises	35	57
Travel	68	69

Assets (liabilities) at December 31 with related parties were:

(in $000s)	2007	2006
Accounts receivable	1	–
Accounts payable	(1,768)	(674)

BC Assessment contracted with the Province for the acquisition of certain capital assets in the amount of $397,919 (2006: $190,660) and disposal of surplus capital assets totaling $34,746 (2006: $32,251).



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HYPERLINKS TO ADDITIONAL INFORMATION

A. **APPENDIX A:** ASSESSMENT ROLL QUALITY AND DATA SOURCE RELIABILITY AND LIMITATIONS FOR PERFORMANCE MEASURES
www.bcassessment.ca/pdf/publications/reports/2007_Annual_Report_appendixa.pdf

B. **APPENDIX B:** CHANGES TO PERFORMANCE MEASURES IN THE 2008-2010 SERVICE PLAN
www.bcassessment.ca/pdf/publications/reports/2007_Annual_Report_appendixb.pdf

C. **APPENDIX C:** SUPPLEMENTARY 2008 ASSESSMENT ROLL INFORMATION – STATISTICS
www.bcassessment.ca/pdf/publications/reports/2007_Annual_Report_appendixc.pdf

D. **GLOSSARY OF TERMS**
http://142.32.78.110/pdf/publications/reports/2008_2010_D_Glossary.pdf

E. **ASSESSMENT REGIONS AND OFFICES**
www.bcassessment.ca/offices/index.asp

F. **ASSESSMENT AREA MAPS**

Map of Regions (province-wide)
www.bcassessment.ca/pdf/offices/Province_map_regions_2007.pdf

Map of Regions (Lower Mainland and Vancouver Island)
www.bcassessment.ca/pdf/offices/Inset_map_2007.pdf

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